

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 493
Finance

(Senator Madaleno, *et al.*)

Economic Development - Commission on Maryland's Future

This bill creates a Commission on Maryland's Future to study and develop recommendations to address the economic renewal of Maryland, specifically focusing on those adjustment strategies to address a draw down in federal defense that are noted as especially effective by the Office of Economic Adjustment (OEA) of the U.S. Department of Defense. The commission must hold at least three public hearings, each of which must include a three-month public comment period. The chair of the commission must call the first meeting by June 30, 2014. The commission must report its findings and recommendations to the Governor and the General Assembly by June 1, 2015. The Department of Legislative Services (DLS) must staff the commission.

The bill takes effect June 1, 2014, and terminates June 30, 2016.

Fiscal Summary

State Effect: DLS can staff the commission with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

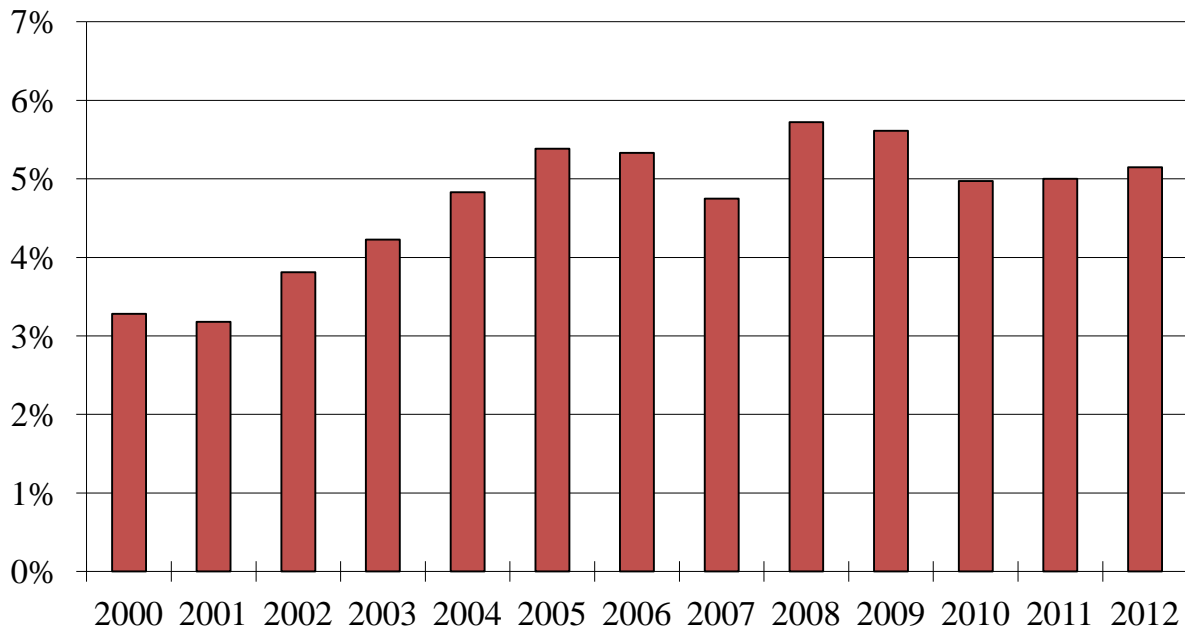
Bill Summary: The bill specifies that strategies noted as particularly effective by OEA include (1) building local capacity and a commitment to change; (2) developing strategies that support multiple economic drivers to replace lost defense jobs, especially in the environmental, green energy, and disaster resilience areas; and (3) assisting smaller firms

and subcontractors that may have a strong interest in pursuing new markets or diversification opportunities.

Current Law/Background: OEA is responsible for supporting state and local governments in responding to major defense program changes. Founded in 1961, the office has helped communities in all 50 states develop comprehensive strategies to adjust to defense industry cutbacks, base closures, force structure realignments, base expansion, and incompatibilities between military operations and local development.

Maryland’s economy is heavily linked to the federal government, both in direct spending and for defense-related procurement. For example, federal employment in 2012 was 8% of total employment in the State, accounting for approximately 12% of all wage income. As shown below in **Exhibit 1**, federal defense contract spending in Maryland as a percent of Maryland private-sector gross state product (GSP) also has been significant, peaking in 2008 at 5.7% and remaining relatively constant around 5% from 2010 through 2012.

Exhibit 1
Defense Spending as a Percent of Maryland Private-sector GSP



Source: U.S. Census; usaspending.gov; Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: Although not identical, HB 738 (Delegate Branch *et. al.* – Economic Matters) is designated as a cross file.

Information Source(s): Department of Business and Economic Development, U.S. Department of Defense, U.S. Census, Usaspending.gov, Department of Legislative Services

Fiscal Note History: First Reader - February 16, 2014
ncs/rhh

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